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## The Search for Predictability: A City Manager's Perspective on Intergovernmental Relations

Thomas Stevens

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# The search for predictability: A city manager's perspective on intergovernmental relations

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*Thomas Stevens has been city manager of Presque Isle, Maine's Star City, since September 1992. Before that, he spent 12 years as town manager in nearby Limestone. The Old Town native's perspective on intergovernmental relations has been shaped particularly by the latter experience, as he watched the federal government attempt to close Loring Air Force Base on numerous occasions. The closing of Loring was an especially traumatic experience for central Aroostook County, which not only had to suffer the loss of 4,500 military personnel, but also had to weather a precipitous decline in the potato industry during the last decade, as potato acreage fell by 15 to 20 percent. Portions of the County currently have some of the highest unemployment rates in the state, in a range from 10 to 15 percent. Not surprisingly, the nature of intergovernmental relations and the economic future of the region are high on Tom Stevens' list of concerns. In a recent interview with Maine Policy Review, the current president of the Maine Town and City Managers Association (MTCMA) argued for a new partnership among the three levels of government that would be characterized by stability and predictability.*

**Maine Policy Review:** From your perspective as a city manager and as president of a statewide organization of municipal managers, describe the condition of local-state government relations in Maine.

**Thomas Stevens:** Generally, there is a high degree of uncertainty in the relationship between the communities and the state. Local government is looking for long term partnerships, stability, a relief from mandates, and a recognition that we are all trying to serve the same clientele, the same public. That fact is often lost sight of.

Local governments are more the front-line servants. The nature of the partnership between the state and communities seems to change each time the legislature convenes. That results in a degree of uncertainty. There also is a lack of recognition that communities need something other than the property tax as the major source of revenue. In addition to the property tax, municipal governments in Maine have excise tax payments and state revenue sharing payments as major sources of revenue. Communities are constantly having to fight legislation that will result in higher property taxes or lower revenue sharing receipts. Managers are often writing letters to local legislators in reference to bills in front of the legislature that propose changes in the formula for municipal revenue sharing. Proposed legislation also may add to our already long list of property tax exemptions. Presque Isle is about 30 percent tax exempt right now and that is one of the higher exemption percentages in the state.

**MPR:** A chief concern for municipal governments, then, is the continued pressure on the property tax as a source of revenue, for whatever reason.

**Stevens:** Exactly. We are really concerned every time that base is eroded, because we have no means of displacing that lost revenue other than by raising property taxes for those remaining on the tax rolls. The continuing property tax base erosion tells me that there is really not a recognition that property taxes are the major source for local revenues. Just the number of bills submitted on the topic this session indicates that the message has not been received in Augusta yet.

If the legislature would simply leave the present system alone, let it work for a while, instead of constantly tinkering with it, we would make progress. Perhaps we could then focus on improving the system, as opposed to efforts to erode the local property tax base. Perhaps as partners we could develop a different approach to dealing with these issues. What I have seen over the years is that we spend an awful lot of time and energy to maintain the status quo, so that we can achieve some level of stability and predictability.

**MPR:** In this instance, does the status quo represent stability?

**Stevens:** For as long as I can remember, people have told me that they do not favor speedy and radical change. Rather, they prefer change to occur in a slow and methodical way so that they can catch up with it. They do not like to see large swings in the level of services, either at the state or at the local level.

**MPR:** What is MTCMA's current legislative agenda?

**Stevens:** Though the MTCMA is a non-partisan, non-political organization, managers who comprise the organization are concerned that any mandates are fully funded and that the legislature owns up to that commitment.<sup>1</sup> Second, we want to ensure that no further eroding of the local property tax base occurs through exemptions. Third, we want to ensure that programs like state-municipal revenue sharing remain intact. Presque Isle, for example, has more than \$800,000 in projected funds from that one program alone. Finally, we are watching the regulatory arena so that communities do not realize any further restrictions or costs in that regard, particularly those that might be construed as unfunded mandates.

**MPR:** The Congress is considering legislation outlawing unfunded mandates. Maine did that a couple of years ago. How well do these initiatives address local government concerns?

**Stevens:** There is some comfort now that all state legislative bills must be scrutinized for their financial implications on municipalities and have a fiscal note attached. That has slowed unfunded mandates considerably. We are now watching to make sure that such mandates don't come through the backdoor in the form of new regulations. Rule-making is much more difficult to track because it's more obscure than legislation.

**MPR:** What is the likely impact at state and local levels of federal efforts to reform the welfare system?

**Stevens:** The legislature made significant changes in the General Assistance Program several years ago. At the local level, many communities have seen a complete turnabout of their

clientele. The typical welfare client used to be a single parent, most likely a single mother, with Aid to Families with Dependent Children (AFDC) as the major source of income, and with one or more children in the household. As a result of changes in the formula for eligibility for General Assistance, that client has all but been eliminated from the General Assistance Program. The new typical client is a non-working, single male, head of household with no family. It strikes me that should not be our target group. Not because there isn't a need, but because it represents a whole different target group for local services. Generally speaking, local communities know their problems, and the problems are different from community to community. As a result, General Assistance should be something that is administered at the local level.

**MPR:** Welfare assistance used to be a local responsibility, but gradually the larger responsibility went to the state, at least in part because of issues about equitable administration. Do those perceived or real inequities return if control reverts to the local level?

**Stevens:** I have seen more standardization of local level rules and there is a higher degree of training for municipal personnel over the last few years. The Maine Department of Human Services (DHS) also scrutinizes the local program more thoroughly. Local actions or procedures that DHS historically found to be acceptable are now unacceptable and have to change. We are subject to a much higher degree of scrutiny than in the past.

A significant amount of local money is still spent on welfare. It is my belief that if we must spend local money, then we should have local control. It is a matter of where the funding comes from. If the state has a target level of funding, as an example, then they must fund that level and set the rules for the use of that money. On the other hand, if the state wants to leave funding more to the discretion of the local community, then the application of the rules should be subject to more local discretion.

**MPR:** On the issue of discretion, the talk out of Congress these days is about giving state and local governments more discretion by reverting to a system of block grants, an idea popular during the Nixon years. What do you think of block grants?

**Stevens:** One of the niceties of the old federal Revenue Sharing Program years ago was that it was simple. Communities had a great deal of latitude in where they could apply those revenues. A lot can be said for a block grant program. But I have also advocated that we need a degree of efficiency at the local level in the administration and spending of those funds.

**MPR:** By efficiency, you mean not using block grant money to displace local tax dollars or to fund property tax relief, as was often the case under the old Revenue Sharing Program?

**Stevens:** Many communities that used revenue sharing to avoid local tax increases faced diminishing services when that money went away. Many communities did try to retain those programs or services after the federal funds had been eliminated or reduced, so the community would pick up the cost. That was the intent of some targeted federal programs. Governor King recently faced that prospect with some federal jobs and decided to turn the funds down. That decision reflects a different mindset. It is contrary to the mindset of the past that said, "Go out there and try to find state and federal dollars. And if we can find those moneys, we can use them

in the place of local money." Clearly, the relationship among federal, state, and local governments is becoming different as we progress through the '90s. I find it frustrating right now. Communities have some very able and talented people working in municipal government. But because of the tight economic times, these people are not able to fully apply their talents to developing new programs. It probably is not a good time to be innovative and to start new programs, yet we encourage employees to be motivated and innovative. Some of that takes money which is not there.

**MPR:** What is the state's role in economic development?

**Stevens:** Statewide, Maine needs to provide an even playing field with other states. That should be state government's primary role. Maine needs to have a business climate that is at least as friendly as that in other states, especially states in the northeast. We compete in the northeast, nationwide, and globally. But we at least need a playing field that's equal at the state level. Environmental rules, as an example, need to be at least as friendly as our neighboring states in the northeast portion of the United States. Without that, we are at a disadvantage. Within the state there needs to be an equal playing field in the northern, western, eastern, and southern regions. The pollution credits controversy is an example of how uneven the playing field currently is.

I see the state being a facilitator for communities that are trying to attract new businesses to the state. It is really up to the communities to entice the interested firms to their localities. It is up to the communities to have the infrastructure necessary to attract new businesses.

**MPR:** In a popular approach to economic development, communities forego collecting property taxes on new businesses and provide special services in an effort to attract them to their localities. The belief underlying this approach is that the jobs created in the community by the new business will more than offset the cost of the tax breaks and the special deals. Is this approach still valid today?

**Stevens:** I don't think the approach is as valid as it used to be. But Maine as a whole hasn't recovered from the latest recession as well as other parts of the country. Northern Maine's unemployment rate is now at 13 percent. We may be hungrier for jobs than an area that has five or six percent unemployment. We may be willing to provide an incentive plan that is much more attractive than other communities will offer. For example, we have leased space for which the cost per square foot would be very attractive relative to other locations. In Presque Isle, we are going out of our way to devise an overall package that is very attractive to a prospective business.

**MPR:** So you are not opposed to some forms of tax incentives?

**Stevens:** Correct. The amount of tax incentive should be directly related to the number and quality of the jobs produced or retained. We need to cover costs, such as taxes, insurance, and our out-of-pocket expenses. But we do have some municipally-owned space with which we can negotiate on a cost-per-square-foot basis. Communities can also assist a prospective new business by providing the business the information it needs, helping them find qualified workers,

putting them in touch with technical schools, and so on. If a community is willing to do all this, to commit its resources where it can't provide other economic advantages, then it creates an opportunity for development. This commitment of resources includes the local partnership among existing businesses, municipal officials, and others, such as the technical schools. To be successful, that partnership has to exist.

**MPR:** That suggests continual attention to the task of creating and maintaining public/private partnerships within a community, region, or state, does it not?

**Stevens:** Absolutely! One of the important aspects of economic development that we have lost over time is our attention to existing businesses. We spend a lot of effort trying to attract new businesses into the area, when we need to spend a considerable amount of time making sure that we retain our existing business mix. These businesses need ongoing support and technical assistance. We in municipal government have sometimes forgotten that.

When the economy was booming, we had the luxury of trying to attract new businesses. But now, we see the flight out of the downtown areas. Presque Isle is no different than many communities. In the past few years, we have had a significant change in our workforce mix. We have lost hundreds of manufacturing jobs and created dozens of jobs in the service sector. As the mix of jobs changes, so does the need to create new partnerships.

**MPR:** Ultimately, there is only so much that local government can do to attract new businesses. What are the opportunities for collaboration and what does that really mean to you?

**Stevens:** We used to call collaboration "partnership." To me, that is business and government working together so that each understands the other's needs. Such an understanding ensures that when an opportunity presents itself, it doesn't get lost because somebody failed to recognize it. It is also about recognizing limitations. Partnerships require that there be a complete understanding among the partners. Municipal officials must assume the responsibility for informing the public, on a regular basis, of what it's doing, where it's going, where it's been, what its goals are. Collaboration may suggest more integration of effort than partnership, but whatever the buzzword, it still comes down to knowing one another. If you know what each other's strengths and weaknesses are, what the limitations and the needs are, then you can work together.

**MPR:** An issue directly related to government-business relations is the privatizing of municipal services. It is more than just a concept now. It is a reality in many communities. What are the possibilities for this approach to service delivery?

**Stevens:** Solid waste disposal and collection are services that often have been privatized. Other services that have been privatized involve functions of public works, such as snow plowing or hauling. Large pieces of machinery that are not used on a regular basis are also candidates for privatization. In general, there is a move to go private in areas where the same level of service can be provided by having it under contract. That movement is the result, in part, of the personnel costs of local government (benefits may be more important than wages) and the high cost of machinery. Those two costs are driving managers across the state to look closely at privatization. Municipal government may be behind business in moving toward contracting to

cut costs. Business has been quicker to explore contracting because they have to produce a profit. As taxes go up, municipalities are following the private sector's lead. And, clearly, the push to privatization is being supported by the public. Where some services would not have been considered for privatization in past years, they are no longer escaping public scrutiny. The loyalty by voters to certain services seems to have diminished in the face of rising taxes.

**MPR:** The single biggest local expense is education, as much as 50 percent of most municipal budgets. If local government is ever to realize the predictability you mentioned earlier, doesn't the school funding issue have to get resolved first?

**Stevens:** I wish I had an answer for educational funding. The legislative process must be changed. The legislature historically has dealt with education funding at the very tail end of the session, when tempers are shorter and innovative solutions are harder to come by. I have advocated putting education funding at the front of the legislature's agenda. All of these hundreds and hundreds of other bills should wait until education funding and the other costly economic issues are dealt with. Currently, the legislature is spending a great deal of time, effort, and resources on other legislation that is not, from my perspective, as important. Dealing with education funding early is particularly important to municipal government because of budgeting. School boards and municipalities have a difficult time developing budgets without the funding information. It is particularly difficult when you're dealing with calendar year budgets. If the legislature could do something to get education funding into place earlier, good or bad, the schools can move on, the town meetings can move on, the municipal governments can move on. Again, it comes down to predictability. We need to have more certainty in budgeting for education costs.

**MPR:** Is predictability the bottom line for municipalities in terms of what major change they would like in their relationships with the state?

**Stevens:** Not only municipalities, but citizens. People want predictability and stability. Over the years, taxpayers have told me that they know taxes will go up. The increases are more acceptable if they are incremental and are not a huge hit all at once. Conversely, taxpayers are not likely to favor a big tax decrease in one year only to have it go up again the next year. People want that predictability and stability. The legislature can help deliver predictability and stability if they would deal with the large financial items like school funding at the beginning of each session.

**MPR:** What about health care reform? Is there a role for local government?

**Stevens:** The impact of health care costs at the local level relates to the benefit level and its affordability relative to the municipal workforce. I'm not sure there is a local role for communities to play. The reform has to be initiated by national leadership. We have seen some leveling of rates simply because of the discussion last year at the federal level. We are not seeing the large, 20 percent-plus increases in premiums that we saw several years ago. I worry, however, about the impact on local communities if benefit levels and participation are mandated. Who will pay for what amounts to an unfunded mandate? If health coverage is going to be required, then cost sharing should occur between the municipality and the mandating level of government. On the other hand, municipalities ought to determine benefit levels without federal

or state mandates. If a community wants to be an attractive place to work because of its wage and benefit package and the property taxpayers are willing to pay that, it should make that decision at the local level.

**MPR:** But do you believe, then, that the major elements of health care system reform should be a matter of national policy?

**Stevens:** Yes, if health coverages are to be mandated. Without some national leadership on the issue, the states that enact health care mandates would be put at a competitive disadvantage. National policy must give states an equal playing field; this is a basic tenet of national health care reform.

**MPR:** In what direction should intergovernmental relations be heading over the next decade?

**Stevens:** Generally, I hope to see less interference in municipal affairs by the federal and state governments. Let communities have more flexibility to provide services like education and welfare to the local communities and their citizens. For example, don't mandate local voter registration by local general assistance administrators, as the federal government has done through the National Voter Registration Act. Requiring such a process is not a function of the federal government. The federal government should focus on issues such as national security. The further afield it goes in trying to mandate or regulate, the more it interferes with local affairs. It all runs downhill, meaning that when the feds interfere in an historically state function, the state then interferes with an historically local function. At the local level, we are frustrated because we don't have the opportunity to pass the responsibility on to someone else. We are always on the receiving end. If we better defined the federal government role and the state government role, then more resources at the local level would be free for traditional local services: roads, infrastructure, fire, and police. When we are forced to spend a good part of our time responding to efforts by the state and federal government to further intrude into local decision making, we expend resources that we ought to otherwise be using for local services.

**MPR:** One example of state-local collaboration involves Maine's new transportation policy. Transportation is especially important in Aroostook County, where there is one major highway (Route 1). Has the new collaborative process in transportation planning been helpful to Northern Maine?

**Stevens:** We have a Regional Transportation Advisory Council (RTAC) in this area. That process provides some real benefits, one of which is more sharing of information up front so state policy is better understood. Clearly there is more support at the local level when information is shared. In terms of major arteries, such as I-95 or Route 1, transportation is a regional issue. This is directly related to economic development and the ease of moving goods and services. RTAC has helped in that regard. Now we need to blend the different regional areas into the state Department of Transportation process. In addition to getting greater citizen input into the transportation planning process, the RTACs have heightened awareness of the other modes of transportation—intermodal, air, the movement of freight, port facilities—and how these need to be integrated into the transportation system.

We have not yet achieved the goal of establishing an integrated planning system from what I see right now. But we have brought planning to the regional level. We are probably a year or more away from an integration of the RTACs to produce a comprehensive statewide transportation plan and related policies. However, we are definitely moving in the right direction. When the process is done, it will have developed a sharing of information results in greater citizen understanding of policy so that voters can make more informed choices.

**Endnote:**

1. Maine voters amended the state's constitution in 1992 to require the state to provide at least 90 percent of the funding for expenditures that are incurred by local governments in meeting new obligations imposed on them by the state. The intent of the constitutional change was to make it more difficult for the legislature to enact laws that will result in higher local property taxes. The attorney general's office ruled subsequent to the enactment of the constitutional amendment that the change only applies to legislation that "directly imposes new obligations upon local governments."

*Thomas Stevens, city manager of Presque Isle, and current president of the Maine Town and City Managers Association.*

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